CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Minutes of the meeting held February 10, 1984

Present: Acting Chairman; Prof. G. Martin, Prof. L. Bessner, Ms. A. Kerby, Dr. H. Ladd, Miss S. O'Reilly, Mr. B. Smart, Mr. M. Hamilton of William M. Mercer Ltd., Ms. E. Gardham and Miss D. Johnson

Regrets: Mr. M. Bourgault, Mr. G. Fisher, Mr. R. Groome & Dr. J. Daniel

Special Meeting:

There was a general discussion concerning the fact that because there was no outside member of the Board present there was no quorum, therefore, while discussions and the investment review could take place no official business could be conducted. It was felt that the Committee was getting seriously behind in its work and that an effort should be made to hold a special meeting, contingent upon the availability of outside Board members. The tentative date established is Wednesday March 28 at 5:30 p.m.. The next regularly scheduled meeting will be held Friday, March 9.

Minutes of the meeting held December 16, 1983:

The Chairman asked if there were any additions, deletions or corrections to the minutes of the last meeting. He then pointed out that on page 3 of the minutes the quorum amendment should read: "..... Committee decisions shall be by a majority vote of those in attendance which "must" include..... rather than "should" include.

Prof. Ladd added a procedural point regarding the Dental Plan; under "Other Business" he noted he will be prepared to report back to the Committee on his discussions with the Faculty Association. The report will be tabled for a full committee.

Prof. Bessner challenged the statement ".... The Pension Plan is still under-funded by $400,000.00 but it is just about perfectly balanced." Mr. Hamilton explained.

Actuarial Valuation Results:

Ms. Kerby asked if Committee will have the actuarial results for the March 28th meeting. Mr. Hamilton replied that we can aim for the 28th.

Prof. Martin noted that if we get the data to Mercers by the March 1st target date the valuation information could be ready by the March 28th or April 13th meeting. The Finance Committee may have to be called to meet to

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to review the financial ramifications.

Mr. Hamilton asked if someone would inform the auditors. Prof. Martin asked why the audit was necessary for this exercise. Mr. Hamilton noted that traditionally neither the auditors nor Mercers have been able to reconcile the figures provided by National Trust. Prof. Martin noted we could try the auditors, but if we can't arrange an audit in time we will have to go with the National Trust figures; if there is a change afterwards we will just have to put up with it.

Prof. Bessner asked if a letter could go out with the pension cheques informing the people that there will be an increase in their pension sometime this summer. Dawn Johnson indicated this would be co-ordinated with the Trust Company.

Prof. Martin noted that the timing of the special meeting will be at the convenience of the outside Board members. He asked if there were any further comments before we proceed with the agenda.

Member's Contributions to the Pension Plan (Revenue Canada Exemption Limitation)

This item was first brought to the attention of the Committee in December. There is no maximum attached to the annual contributions required from contributory members, therefore, individuals may be required to make contributions exceeding the $3,500.00 maximum allowed by revenue Canada as an income tax shelter. Contributions exceeding the $3,500.00 would be $16,000.00 per annum; based on the 1984 payroll. Mr. Hamilton pointed out that the limit may be increased in the federal budget due later this month.

Some discussion ensued and the consensus was to review the federal budget changes and report back to Committee at the next meeting.

Investment Review - Jarislowsky Fraser:

Mr. Joel Raby summarized the economic outlook from the perspective of Jarislowsky Fraser. There are serious problems in the world; the economy will be slowing down, housing starts have remained unchanged, the spending there has been reflects credit availability and lower interest rates not new money. There should be some self-correcting mechanism for government deficits because the government only collects three dollars for every four dollars it spends; 16% of government spending is for the debt deficit burden.

Jarislowsky Fraser has not gone into the cyclical area of the stock market they have gone into the very stable areas that will benefit from interest rates falling off and this strategy should reflect a very very stable growth record. Interest rates are still exceptionally high in terms of inflation; what spending is being done is related to modernization not growth.

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Miss Johnson asked what our present mix is and is any change anticipated in the next 10 to 12 months? Mr. Raby replied that at year end '83 there was 18 million in equity, 21 million in fixed income assets. There is about 10% in cash and the portfolio is fully invested at the 10% limit in U.S. holdings.

The chairman thanked Mr. Raby for his presentation.

Investment Review - Beutel Goodman:

Mr. N. Bengouch and Mr. B. Tanner then joined the meeting. Mr. Tanner came to answer questions regarding real estate investment, specifically Preeco III.

Mr. Tanner reviewed the history of Preeco for the benefit of Committee. Preeco I started in 1981 - as background there are two types of funds.

An "Open Pool Fund" has some benefits such as freedom of access to get into the fund. This type of fund also has problems:

1) You are not allowed to buy any piece of real estate that represents more than 4% of your assets.

2) Every piece of real estate must have had an earnings record sufficient to cover the capital cost of the acquisition and provide a reasonable rate of return.

The Closed End Fund was set in place under the Income Tax Act and allows tax free investment - it is non taxable. This type of fund allows an entreprenurial approach to real estate investment and within the Preeco portfolios the emphasis has been placed on acquisitions with potential. Beutel Goodman undertakes both renovations and improvements to increase the investment return per square foot and active involvement in the management of the properties.

Mr. Tanner apologized that he had another meeting scheduled but indicated he would be available to meet again with Committee at our request.

Mr. Bengough summarized the economic outlook from the Beutel Goodman perspective. Economic growth averaging 4.5% is expected and it is felt that inflation has probably troughed. (5.4% expected for 1984) Profits have increased 2.5% and Beutel Goodman feels that profit levels will persist. Unemployment rates are down in the U.S. from 9.7% in '82 to 8.2% in 1984. Government deficits will remain high and the market has pushed interest rates up. The U.S. dollar is over-valued and will continue to be overvalued.

In Canada, our ecomonic recovery has not been as broadly based but it will persist. Inflation will remain moderate. Corporate profits were up 5.2% in 1983 over 1982 but unemployment has not come down in Canada to the same degree it has in the U.S. The average unemployment rate is 12% and this should reduce to 10% in 1984.

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The Canadian dollar will be kept between 80 and 82 cents against the American dollar and the interest rate should remain between 9¼% and 10%. Inflation as we have known it will not come back.

Beutel Goodman has assumed an agressive trading stance and right now the Concordia portfolio is 55% fixed income, 45% equity, the U.S. pay bond holdings are dropping down and the cash reserves total 11%. Another recession is not expected.

Adjournment:

It was decided that all other business should be deferred to the next meeting and Prof. Bessner called for adjournment, seconded by Prof. Ladd and carried.

Respectfully submitted,

M. Dawn Johnson, Secretary

Special thanks to recording secretary E. Gradham